



Milk Pricing

NEWSLETTER

Dairy Marketing Branch, CDFA

July 2003

National Commodity Price for Cheddar Cheese Rises Dramatically . . .

The minimum price of milk, established by the Department each month, is the price that dairy processors must pay for milk used to produce dairy products. National commodity prices, primarily butter, Cheddar cheese, and nonfat dry milk, are significant factors in determining the minimum milk price (See *national commodities prices chart on page 2*).

The national commodity prices all showed increases compared to last month, with the Cheddar cheese price rising most dramatically. Consequently, all types of milk showed gallon price increases: whole milk increased twenty-three and two tenths cents per gallon, reduced fat milk increased twenty-five and two tenths cents per gallon, lowfat milk increased twenty-six and nine tenths cents per gallon, and skim milk increased twenty-two and seven tenths cents per gallon.

Milk production and milk cow numbers have slowed to show only a slight increase over last year at this time. Beverage milk sales have been strong, but July brings the school vacation season where more milk will be diverted to other dairy products. The hot summer weather is likely to lower milk production during the upcoming summer months.

The table below shows individual prices for the four types of fluid milk by container size and the price changes from the previous month. The prices listed represent the minimum price paid by processors for the milk only - no other processing costs are included.

Minimum Prices for the Four Types of Fluid Milk by Container Size for August 2003

| Northern California | Gallon | 1/2 Gallon | Quart | Pint | 1/3 Quart | 1/2 Pint |
|---------------------|---------|------------|---------|---------|-----------|----------|
| Whole Milk | \$1.244 | \$0.622 | \$0.311 | \$0.155 | \$0.104 | \$0.078 |
| Reduced Fat (2%) | \$1.190 | \$0.595 | \$0.298 | \$0.149 | \$0.099 | \$0.074 |
| Lowfat (1%) | \$1.165 | \$0.583 | \$0.291 | \$0.146 | \$0.097 | \$0.073 |
| Nonfat (Skim) | \$0.910 | \$0.455 | \$0.228 | \$0.114 | \$0.076 | \$0.057 |

| Southern California | Gallon | 1/2 Gallon | Quart | Pint | 1/3 Quart | 1/2 Pint |
|---------------------|---------|------------|---------|---------|-----------|----------|
| Whole Milk | \$1.267 | \$0.633 | \$0.317 | \$0.158 | \$0.106 | \$0.079 |
| Reduced Fat (2%) | \$1.214 | \$0.607 | \$0.303 | \$0.152 | \$0.101 | \$0.076 |
| Lowfat (1%) | \$1.189 | \$0.595 | \$0.297 | \$0.149 | \$0.099 | \$0.074 |
| Nonfat (Skim) | \$0.935 | \$0.467 | \$0.234 | \$0.117 | \$0.078 | \$0.058 |

Price Changes from the Previous Pricing Period

| | Gallon | 1/2 Gallon | Quart | Pint | 1/3 Quart | 1/2 Pint |
|------------------|---------|------------|---------|---------|-----------|----------|
| Whole Milk | \$0.232 | \$0.116 | \$0.058 | \$0.029 | \$0.019 | \$0.015 |
| Reduced Fat (2%) | \$0.252 | \$0.126 | \$0.063 | \$0.032 | \$0.021 | \$0.016 |
| Lowfat (1%) | \$0.269 | \$0.134 | \$0.067 | \$0.034 | \$0.022 | \$0.017 |
| Nonfat (Skim) | \$0.227 | \$0.113 | \$0.057 | \$0.028 | \$0.019 | \$0.014 |

California Department of Food and Agriculture (CDFA)

William (Bill) J. Lyons Jr., Secretary

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Minimum Prices for the Milk Component of Various Manufactured Dairy Products

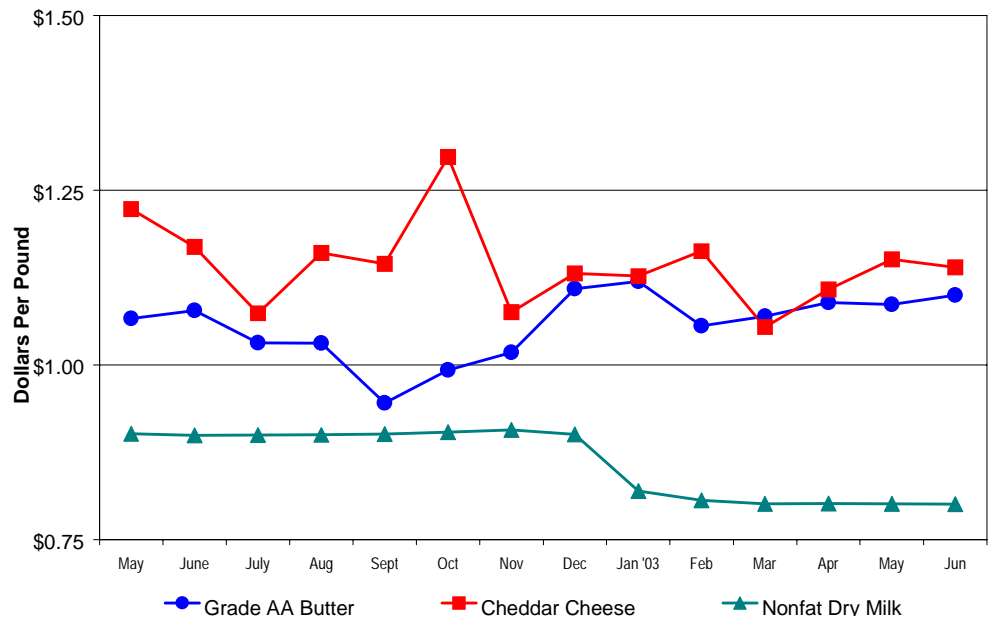
The minimum prices for the raw milk component used by processors in manufacturing dairy products are listed in the table to the right. No other costs incurred by the processor are included, such as:

- milk quality premiums,
- milk composition premiums,
- competitiveness for availability of milk premiums,
- transportation costs,
- plant processing costs,
- service charges
- marketing costs

| | Lowfat Yogurt (\$/quart) | Super- Premium Ice Cream (\$/ 1/2 gal) | Generic Ice Cream (\$/ 1/2 gal) |
|---------|--------------------------------|---|---------------------------------------|
| Oct. | \$0.20 | \$1.05 | \$0.41 |
| Nov | \$0.20 | \$1.05 | \$0.41 |
| Dec | \$0.20 | \$1.09 | \$0.43 |
| Jan '03 | \$0.20 | \$1.09 | \$0.43 |
| Feb | \$0.18 | \$1.12 | \$0.43 |
| Mar | \$0.18 | \$1.12 | \$0.43 |
| Apr | \$0.18 | \$1.07 | \$0.41 |
| May | \$0.18 | \$1.07 | \$0.41 |
| June | \$0.18 | \$1.08 | \$0.42 |
| July | \$0.18 | \$1.08 | \$0.42 |

National Commodity Prices for May 2002 - June 2003

Grade AA Butter,
Block Cheddar Cheese,
and Nonfat Dry Milk



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